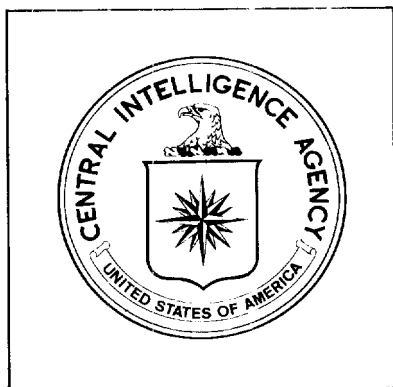


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STAFF NOTES:

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WESTERN EUROPE – CANADA – INTERNATIONAL ORGANIZATIONS

This publication is prepared for regional specialists in the Washington community by the Western Europe Division, Office of Current Intelligence, with occasional contributions from other offices within the Directorate of Intelligence. Comments and queries are welcome. They should be directed to the authors of the individual articles.

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EC Expressing Concern over US Trade Policy

The EC Nine are apparently preparing to present their complaints about alleged US trade protectionism to international forums.

In recent weeks EC officials have made increasingly bitter complaints over investigations launched by the US to determine whether foreign motor vehicles are being dumped on the US market--sold at prices below their fair market value--and over US allegations that some exports are being subsidized. The EC Commission yesterday called publicly for the US to curb "the forces of protectionism" following the US announcement of a decision to consider charges--made by a US steel firm--that EC steel exports are subsidized.

A West German official told the US mission to the Organization for Economic Cooperation and Development that Bonn will raise the motor vehicle dumping issue with the organization's trade committee when it meets in Paris on September 23-24. The trade committee is charged with monitoring the OECD trade pledge, signed by the US and most other members, to refrain from imposing new restrictive measures on trade.

In addition, the EC will reportedly ask the Council of the General Agreement on Tariffs and Trade in Geneva, at its meeting on September 25, to look into the US motor vehicle investigation, and may ask that a special session of the GATT anti-dumping committee be called. The Nine have maintained that the US investigation of alleged motor vehicle dumping violates GATT rules because the original complaint was not filed by US manufacturers but by a labor union.

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Members of the EC Nine reportedly discussed what they regard as changes in US trade policy, at a meeting on September 12 of the EC committee charged with trade matters. According to an Italian official, all the EC representatives at that meeting expressed concern that the recent US actions might be indicative of a shift to a less liberal, more restrictive trade policy. The representatives believe that the final decision on the automobile case will be an accurate measure of US attitudes.

Most, however, have become "very suspicious" of US motives, according to the Italian official, and no doubt feel that the willingness of the EC last spring to meet US demands by dropping subsidies for cheese exports has been misconstrued. Some may believe that the EC action on cheese has been taken by the US, not as a gesture of cooperation, but as proof that the US has to be tough in dealing with the EC.

The EC trade committee met again on September 19 to examine the "whole complex" of recent US trade policy actions. The US decision to look into subsidies on steel exports--of which most EC members were made aware the day before--appears to have added to EC suspicions and in part led to today's public demarche. (Confidential No Foreign Dissem)

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Irish Foreign Minister to Score US Support
for IRA

Foreign Minister FitzGerald intends to lobby against private American and Canadian support for the Irish Republican Army during his visit to address the UN General Assembly next month. FitzGerald told the US Ambassador in Dublin recently that he plans to visit Washington, Chicago, and Ottawa to urge local leaders to help discourage fund-raising activities which benefit the terrorist IRA.

The Irish Northern Aid Committee which solicits aid on behalf of the widows and orphans of men killed in the fighting, is perhaps the primary source of IRA fund raising in the US. In reality, much of the money goes to buy guns and ammunition to keep the struggle going.

While in New York, FitzGerald may contact Cardinal Cooke to secure his support in persuading the Church to help clarify the real role of the Committee. The Foreign Minister also hopes to meet with labor figures and, while in Washington on October 7-8, intends to hold discussions with congressional leaders. (Confidential No Foreign Dissem)

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Fights In Malta Reflect Political Tension

An outbreak of street fighting in Valletta yesterday between supporters of Malta's ruling Labor Party and the opposition Nationalists is symptomatic of the tension that has built up between the two parties amid rumors that Prime Minister Mintoff may call a parliamentary election ahead of schedule.

The election does not have to be held for another year, but there are signs that Mintoff may call it sooner if he secures passage of a new election law aimed at improving his party's position. Political activity has been increasing, and one by-product has been steady growth in political violence over the last six months.

Mintoff would have a good chance of holding on to his slim parliamentary majority if an election were held soon. His support could slip, however, if inflation and unemployment continued to rise at their present rates during the next year. (Confidential)

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Positive Changes Expected in Policies of New
Portuguese Government

The democratic orientation and pragmatic economic outlook of the new cabinet will bring positive changes in government policies, according to the US embassy in Lisbon.

The anti-Communist majority in the cabinet will be reinforced in the subcabinet. Negotiations are not yet complete, but the latest information indicates that out of a total of 34 positions, the Socialists will receive 12 and the center-left Popular Democrats 11.

The new government is expected to concentrate its efforts in the following areas:

- Establishing a strongly pro-Western foreign policy.
- Instituting realistic economic measures to retard further deterioration.
- Planning for local, national assembly, and presidential elections which--according to Socialist leader Soares--Prime Minister Azevedo has promised for February.
- Diminishing Communist control in the media and labor organizations.

In the area of foreign affairs, Major Antunes, who was formerly known to favor ties with the Third World, appears to recognize the need for strong relations with Western Europe at this time. Socialist leaders, who strongly support close relations with European social democrats, have full confidence in Antunes' Western orientation.

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Both Antunes and Foreign Trade Minister Campinos, a Socialist, have made favorable impressions on European officials in the past and can be expected to begin efforts to attract aid for Portugal from Western Europe and the US.

The new economic team, also dominated by the Socialists, will concentrate on repairing the damage done to the economy by the radical initiatives of the Goncalves regime. The team is not expected to rescind the nationalization and agrarian reform measures already in effect, but it will attempt to consolidate and organize the companies and land that now belong to the government.

The Socialists plan to call for long-term recovery measures after they have received legitimate authority through elections.

The Socialists' scheme also calls for eliminating Communist strongholds in local governments, labor, and the media. The three cabinet positions that bear on these critical areas are held not by Socialists but by individuals who are judged by the US embassy to be well qualified and strongly anti-Communist:

- Commander Almedia e Costa, the new interior minister, was largely responsible for organizing the constituent assembly election in April; the balloting was run fairly, despite heavy Communist influence in the government.
- Labor Minister Tomas Rosa, an army captain, told US embassy officials that he intends to remove all Communists from key positions in his ministry.
- Information Minister Almeida Santos is, according to embassy contacts, considered capable of weakening the Communists' domination of the press, radio, and television.

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Reaction to the new government has been light. The Socialists issued a communique praising the cabinet and the prime minister. The Communists' statement was defensive, explaining that they accepted one portfolio only to prevent a right-wing government from taking control.

The Communists' grudging acceptance of the new cabinet is not shared by the various extreme left-wing organizations. These groups have been critical of all governments since the military coup, but there is concern now that distrust of a Socialist-dominated government may lead to a wave of terrorist activity. Several armed groups based in Lisbon were active during the Salazar and Caetano regimes.

Right-wing exile groups probably pose a more serious threat to the new government. One of them, the Portuguese Liberation Army, has claimed responsibility for the bombing yesterday of a navy building where Prime Minister Azevedo was staying. The group is reportedly based in Spain and connected with former president Spínola's forces. (Confidential)

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Tories Upset In Ontario Election

Last week's Ontario election resulted in a stinging rebuff for Premier William Davis and a serious blow to the Progressive-Conservatives' 32-year domination of provincial politics.

The Tories, while retaining a plurality, fell from 74 to 51 seats in the provincial legislature. The New Democrats doubled their strength, jumping from 19 to 38 seats. They are now the official opposition, a first for the New Democrats in Ontario. The Liberals finished third with 36 seats.

Although the Liberals made the largest percentage gain in the popular vote, the New Democrats made the biggest gain in the number of seats. This reflects the shrewd New Democratic campaign strategy of concentrating their resources in districts where the party had a good chance of winning. The result was victories in almost all blue-collar districts, including important gains in Toronto and the mining areas of northern Ontario.

Davis will form a minority government with most present ministers retaining their portfolios. Although both New Democratic and Liberal leaders have rejected a formal coalition, Davis should be able to make sufficient concessions to keep a minority administration alive for at least the next several months.

Press speculation on the longevity of the new government has already begun. Despite the Canadian tradition of avoiding winter elections, a threatened

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strike by Ontario civil servants on January 1 could trigger a snap election. Davis has taken a strong stand in opposition to strikes by public employees, whereas his opponents have been in favor, with some qualifications. Should the unions follow through with their threat, Davis would be in a good position to call an election on an issue which could be most favorable one for him and his party.
(Unclassified)

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Spanish Government Delays Decision on Death
Penalties for Terrorists

Strong appeals for clemency from both at home and abroad appear to have delayed the Spanish cabinet's decision on the death sentences meted out to terrorists convicted of police killings.

The conviction Saturday in Barcelona of a Basque terrorist has brought to 11 the number of urban terrorists whose fate is now in the hands of the cabinet and ultimately, General Franco.

Pope Paul and the Spanish bishops have addressed separate appeals to Franco, who is also under pressure from growing anti-regime sentiment in Western Europe. There have been bombings of Spanish consulates and businesses in West European countries over the past week.

A straw vote reportedly was taken at the cabinet meeting last Friday in which most of the ministers favored approving at least some of the executions. If the Spanish government should show leniency, it would face a strong reaction from police and rightists who are outraged over the killing of 12 policemen this year.

Meanwhile, the government is continuing its roundup under the new anti-terrorist law, and now has detained some 200 alleged militants accused of political violence. Last week the regime arrested several high-ranking Basque Fatherland and Liberty terrorists, as well as members of the Marxist-Leninist Revolutionary Anti-Fascist Patriotic Front. (Confidential)

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